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REDACTED – FOR PUBLIC INSPECTION

FILED/ACCEPTED

APR 27 2007

Federal Communications Commission
Office of the Secretary

Via Courier

April 27, 2007

Ms. Marlene H. Donch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: *In the Matter of Petition of Qwest Corporation for Forbearance Pursuant to 47 U.S.C. § 160(c) in the Denver, Colorado Metropolitan Statistical Area;*
In the Matter of Petition of Qwest Corporation for Forbearance Pursuant to 47 U.S.C. § 160(c) in the Minneapolis-St. Paul, Minnesota Metropolitan Statistical Area;
In the Matter of Petition of Qwest Corporation for Forbearance Pursuant to 47 U.S.C. § 160(c) in the Seattle, Washington Metropolitan Statistical Area; and
In the Matter of Petition of Qwest Corporation for Forbearance Pursuant to 47 U.S.C. § 160(c) in the Phoenix, Arizona Metropolitan Statistical Area
Request for Confidential Treatment and Confidentiality Justification

Dear Ms. Dortch:

Qwest Corporation ("Qwest") hereby requests confidential treatment for each of the attached Petitions of Qwest Corporation for Forbearance Pursuant to 47 U.S.C. § 160(c) in the Denver, Colorado; Minneapolis-St. Paul, Minnesota; Seattle, Washington; and Phoenix, Arizona Metropolitan Statistical Areas. This request also covers the appended Declaration of Robert H. Brigham and David L. Teitzel and Exhibits 2 and 4 that are associated with each Petition. Each Petition and Declaration contains some information integrated into the text that is confidential; in addition, each Petition and Declaration has associated confidential and *highly confidential* Exhibits. The pages of each Petition and Declaration, along with Exhibit 4, that contain

Regarding only the Minneapolis-St. Paul Petition. Exhibit 4 contains one page of non-confidential information, along with a page of confidential information (*i.e.*, a map); the corresponding Exhibit 4 in each of the other three Petitions includes only the confidential map. Thus, the non-confidential page included with Exhibit 4 of the Minneapolis-St. Paul Petition is included with the non-confidential exhibits associated with the Minneapolis-St. Paul Petition.

Ms. Marlene H. Dortch
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confidential information have been marked "**CONFIDENTIAL – NOT FOR PUBLIC INSPECTION**"; Exhibit 2, which contains highly confidential information, has been marked "**HIGHLY CONFIDENTIAL – NOT FOR PUBLIC INSPECTION – COPYING PROHIBITED**". As such, Qwest requests that the non-redacted versions of the Petitions, Declarations and Exhibits containing confidential or highly confidential data be withheld from public inspection. Qwest also requests that no further copies be made of material marked highly confidential.

In each Petition, Qwest seeks forbearance from significant, burdensome regulations, particularly loop and transport unbundling and dominant carrier regulation throughout the Denver, Colorado; Minneapolis-St. Paul, Minnesota; Seattle, Washington; and Phoenix, Arizona Metropolitan Statistical Areas.

Qwest is submitting the non-redacted versions of its Petitions, the Declarations and Exhibits 2 and 4 pursuant to both Commission rules 47 C.F.R. §§ 0.457 and 0.459. The confidential and highly confidential information included in these documents is competitively sensitive information and thus should not be available for public inspection, and in the case of highly confidential information no copies should be made. A release of this material would have a substantial negative competitive impact on Qwest. Pursuant to Commission rule, 47 C.F.R. § 0.459(b), Qwest provides justification for the confidential treatment of this information in the Appendix to this letter. The non-redacted portions of the Petitions and associated documents contain, *inter alia*, Qwest's confidential and highly confidential information. Such information would not ordinarily be made available to the public, and disclosure may cause substantial competitive harm to Qwest. Accordingly, the non-redacted information is appropriate for non-disclosure under both Sections 0.457(d) and 0.459 of the Commission's rules.

Because it was not feasible to separate out the confidential and proprietary information; see 47 C.F.R. § 0.459(a), without destroying the integrated nature of the information presented in each Petition and associated Declaration. Qwest is also submitting today under separate cover the redacted versions of the Petitions and Declarations, along with the non-confidential Exhibits. The redacted version of each Petition and Declaration is marked "**REDACTED --FOR PUBLIC INSPECTION**", with the confidential information redacted. Exhibits 2 and 4 have been omitted in their entirety from the redacted version of each Petition, except for the Minneapolis-St. Paul Petition, as described in the above footnote.

For the redacted version of each Petition: Qwest is providing an original and four copies. For the non-redacted version of each Petition, Qwest is providing one original copy. For both the redacted and non-redacted versions of each submission, Qwest is providing an extra copy of each, to be stamped and returned to the courier. In addition, Qwest is providing via hand delivery three complete copies (including confidential and highly confidential material) of each Petition and associated documents to Christi Shewman of the Wireline Competition Bureau.

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Please contact me at the above contact information or Melissa Newman in Qwest's Federal Relations office (202-429-3120) if you have any questions.

Sincerely,

/s/ Daphne E. Butler

Attachments

Copies (via hand delivery) to: Christi Shewman

APPENDIX

Confidentiality Justification

Qwest requests confidential treatment of the information being provided in its Petition, the Declaration and its attached Exhibits 2 and 4 because this information is competitively sensitive and its disclosure would have a negative competitive impact on Qwest were it made publicly available. Such information would not ordinarily be made available to the public, and should be afforded confidential treatment under both 47 C.F.R. §§ 0.457 and 0.459. Throughout this Appendix, references to a Petition, a Declaration and a set of Exhibits (in association with each Petition and Declaration) are meant to apply to each of the four Petitions for Forbearance being filed with the FCC by Qwest on April 27, 2007.

47 C.F.R. § 0.457

Specific information in the Petition and the Declaration, as well the attached Exhibits 2 and 4, is confidential and proprietary (and in the case of Exhibit 2 is highly confidential) to Qwest as “commercial or financial information” under Section 0.457(d). Disclosure of such information to the public would risk revealing company-sensitive proprietary information in connection with Qwest’s ongoing business plans and operations. Therefore, in the normal course of Commission practice this information should be considered “Records not routinely available for public inspection.”

47 C.F.R. § 0.459

Specific information in the Petition and the Declaration as well as the attached Exhibits 2 and 4, is also subject to protection under 47 C.F.R. § 0.459, as demonstrated below.

Information for which confidential treatment is sought

Qwest requests that specific information in the Petition and the Declaration (set off with two sets of three asterices) as well as the attached Exhibit 4, be treated on a confidential basis under Exemption 4 of the Freedom of Information Act and that Exhibit 2 be treated on a highly confidential basis under the same Exemption 4. This information is competitively sensitive data that Qwest maintains as confidential and is not normally made available to the public. Release of the information would have a substantial negative competitive impact on Qwest. The confidential information is contained in the non-redacted versions of Qwest’s Petition and Declaration, as well as in the attached Exhibit 2 and Exhibit 4, and is marked, as appropriate, either “**CONFIDENTIAL – NOT FOR PUBLIC INSPECTION**” or “**HIGHLY CONFIDENTIAL – NOT FOR PUBLIC INSPECTION – COPYING PROHIBITED**”.

Commission proceeding in which the information was submitted

The information is being submitted in the Petitions of Qwest Corporation for Forbearance Pursuant to 47 U.S.C. § 160(c) in the Denver, Colorado; Minneapolis-St. Paul, Minnesota; Seattle, Washington; and Phoenix: Arizona Metropolitan Statistical Areas, which will be docketed at a later date.

Decree to which the information in question is commercial or financial, or contains a trade secret or is privileged

The competitive information designated as confidential (or in the case of Exhibit 2 highly confidential) is detailed information regarding Qwest's number of access lines, retail residential lines, retail business lines, special access lines, wholesale customers, wholesale unit sales and revenue shares. As noted above, the data is competitively sensitive information which is not normally released to the public as such release would have a substantial negative competitive impact on Qwest.

Degree to which the information concerns a service that is subject to competition; and manner in which disclosure of the information could result in substantial competitive harm

This type of commercial information would generally not be subject to routine public inspection under the Commission's rules (47 C.F.R. § 0.457(d)), demonstrating that the Commission already anticipates that the release of this kind of information likely would produce competitive harm. Qwest confirms that release of its confidential and proprietary information would cause it competitive harm by allowing its competitors to become aware of sensitive proprietary information regarding the operation of Qwest's business.

Measures taken by Qwest to prevent unauthorized disclosure; and availability of the information to the public and extent of any previous disclosure of the information to third parties

Qwest has treated and treats the non-public information disclosed in its Petition, the Declaration and its attached Exhibits 2 and 4 as confidential, and/or highly confidential; and has protected it from public disclosure to parties outside of the company.

Justification of the period during which Qwest asserts that the material should not be available for public disclosure

Qwest cannot determine at this time any date on which this information should not be considered confidential or would become stale for purposes of the current matters, except that the information would be handled in conformity with general Qwest records retention policies, absent any continuing legal hold on the data.

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Other information that Qwest believes may be useful in assessing whether its request for confidentialiry should be eranted

Under applicable Commission and court rulings, the information in question should be withheld from public disclosure. Exemption 4 of the Freedom ~~of~~ Information Act shields information that is (1) commercial or financial in nature; (2) obtained from a person outside government; and (3) privileged or confidential. The information in question satisfies this test.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

FILED/ACCEPTED
APR 27 2007
Federal Communications Commission
Office of the Secretary

In the Matter of)

Petition of Qwest Corporation for Forbearance)

Pursuant to 47 U.S.C. § 160(c) in the)

Minneapolis-St. Paul, Minnesota)

Metropolitan Statistical Area)

WC Docket No. _____

**PETITION OF QWEST CORPORATION FOR
FORBEARANCE PURSUANT TO 47 U.S.C. § 160(c)**

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April 27, 2007

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ATTACHMENT – Declaration of Robert H. Brigham and David L. Teitzel

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)	
)	
Petition of Qwest Corporation for Forbearance)	WC Docket No. _____
Pursuant to 47 U.S.C. § 160(c) in the)	
Minneapolis-St. Paul, Minnesota)	
Metropolitan Statistical Area)	

**PETITION OF QWEST CORPORATION FOR
FORBEARANCE PURSUANT TO 47 U.S.C. § 160(c)**

I. INTRODUCTION AND SUMMARY

Qwest Corporation (“Qwest”) seeks forbearance from significant, burdensome regulation, particularly loop and transport unbundling and dominant carrier regulation throughout the Minneapolis-St. Paul, Minnesota Metropolitan Statistical Area (“MSA”), where Qwest faces competition from a wide range of technologies and a broad array of service providers. Multiple competitive alternatives are available to mass market and enterprise customers alike. This competition includes wireline and cable-based services. Moreover, intermodal competition, particularly from wireless and Voice over Internet Protocol (“VoIP”) providers is more advanced than it was in Omaha, Nebraska in mid-2005, when the Commission voted on the *Omaha Order*.¹

Mass market consumers throughout the Minneapolis-St. Paul **MSA** now have access to a wide range of competitive alternatives for affordable local telephone service. As was the case in Omaha, the most significant provider of competitive voice services in the Minneapolis-St. Paul MSA is a cable company: in this case Comcast. Based upon publicly available information,

¹ *In the Matter of Petition of Qwest Corporation for Forbearance Pursuant to 47 U.S.C. § 160(c) in the Omaha Metropolitan Statistical Area*. Memorandum Opinion and Order. 20 FCC Rcd 19415 (2005) (“*Omaha Order*” or “*Omaha Forbearance Order*”), *aff’d sub nom.*, *Qwest Corp. v. FCC*, Nos. 05-1450, *et al.* (D.C. Cir. Mar. 23, 2007).

Comcast currently appears to offer voice services even more widely in Minneapolis-St. Paul than Cox did in Omaha in 2005. Other types of mass market competition -- such as wireless and VoIP -- are also more advanced in Minneapolis-St. Paul now than they were in Omaha two years ago. Each of the nation's major wireless carriers serves the entire Minneapolis-St. Paul MSA, offering service that is competitive with Qwest's wireline services. Consumers in the Minneapolis-St. Paul MSA have shown an increasing propensity to "cut the cord" -- replacing their wireline service with wireless service. In addition, any consumer with a broadband connection (*e.g.*, cable modem. Digital Subscriber Line ("DSL"), wireless) can also obtain telephone service from several dozen "over-the-top" VoIP providers,² which can be accessed over competitive wireline, cable and wireless networks. Qwest also continues to face competition from traditional competitive local exchange carriers ("CLECs"), including carriers that obtain wholesale service from Qwest, which the Federal Communications Commission ("Commission") in the *Omaha Forbearance Order* deemed relevant to forbearance inquiries such as this one.

These various competitive alternatives are widely used by consumers in the Minneapolis-St. Paul MSA. Between 2000 and 2006, Qwest's retail mass market residential switched access lines in the Minneapolis-St. Paul MSA declined by [REDACTED] percent, even though the number of households in the MSA increased by approximately ten percent during this time.

There is likewise intense competition for enterprise services in the Minneapolis-St. Paul MSA. There are numerous competitors vying for business customers, and there are approximately 45 competitive fiber providers that operate networks in areas where enterprise

² "Over-the-top" VoIP providers are those that offer VoIP as an incremental, stand-alone service on top of an existing broadband Internet connection (*e.g.*, Vonage), as opposed to providers of integrated VoIP telephone services offered by carriers such as cable television service providers.

customers are concentrated in the Minneapolis-St. Paul MSA; including wire centers that account for [REDACTED] percent of Qwest's retail switched business lines in the MSA. In addition, as the Commission has found, cable companies are capable of using their nearly ubiquitous cable networks to serve enterprise customers. As was the case with Cox in Omaha, Comcast is actively marketing its services to business customers.

These competitive alternatives are widely used among enterprise customers in the Minneapolis-St. Paul MSA. Since 2000 Qwest's business lines in the Minneapolis-St. Paul MSA declined by approximately [REDACTED] percent, even though the business segment grew overall. Moreover, these declines took place on top of the inroads that competitors made prior to 2000.

In this competitive environment, imposing regulation crafted in and for an earlier era is unnecessary and counterproductive.

II. THE FIRST TWO PARTS OF THE FORBEARANCE TEST ARE SATISFIED AS A CONSEQUENCE OF THE FACT THAT TELECOMMUNICATIONS COMPETITION IN THE MINNEAPOLIS-ST. PAUL MSA IS ROBUST AND RAPIDLY GROWING

Qwest asks that the Commission forbear from applying loop and transport unbundling regulation pursuant to 47 U.S.C. § 251(c) and 271(c)(2)(B)(ii), *see* 47 C.F.R. § 51.319 (a), (b) and (e). For mass market and enterprise services. Qwest also seeks forbearance from the dominant carrier tariff requirements set forth in Part 61 of the Commission's rules,³ from price cap regulations set forth in Part 61 of the Commission's rules,⁴ from the Computer III requirements including Comparably Efficient Interconnection ("CEI") and Open Network Architecture ("ONA") requirements, and from dominant carrier requirements arising under

³ 47 C.F.R. §§ 61.32, 61.33, 61.38, 61.58 and 61.59.

⁴ 47 C.F.R. §§ 61.41-61.49.

Section 214 of the Act and Part 63 of the Commission's rules concerning the process for acquiring lines, discontinuing services, making assignments or transfers of control.'

The Commission must forbear from regulating where the Commission determines that:

“(1) enforcement of such regulation or provision is not necessary to ensure that the charges, practices, classifications, or regulations by, for, or in connection with that telecommunications carrier or telecommunications service are just and reasonable and are not unjustly or unreasonably discriminatory;

(2) enforcement of such regulation or provision is not necessary for the protection of consumers: and

(3) forbearance from applying such provision or regulation is consistent with the public interest.”

47 U.S.C. § 160(a). In making the public interest determination the Commission may weigh the competitive effect of forbearance. “If the Commission determines that such forbearance will promote competition among providers of telecommunications services, that determination may be the basis for a Commission finding that forbearance is in the public interest.” 47 U.S.C. § 160(b).⁶

In Omaha, where the Commission has already granted similar relief, consistent with the Commission's predictive judgment, Qwest is continuing to grant competitors wholesale access to its loop and transport facilities. Qwest's motivation is to sell as much service as possible, while making a reasonable profit. Thus, Qwest is committed to its wholesale customers as a distribution channel. In Omaha, as in virtually every instance in which Qwest has received regulatory relief, Qwest has voluntarily made available commercial products to replace the products that had previously been mandated by regulation. Accordingly, after the Commission

⁵ 47 C.F.R. §§ 63.03, 63.04, 63.60-63.66.

⁶ The Commission may not forbear from the requirements of Sections 251(c) or 271 until those requirements have been fully implemented. 47 U.S.C. § 160(d). The Commission has previously determined that Section 251(c) has been “fully implemented” for all incumbent LECs nationwide.” *Omaha Forbearance Order*, 20 FCC Rcd at 19439-40 ¶¶ 51-53.

issued the *Omaha Forbearance Order* Qwest reached agreement to provide loops and transport to a number of CLECs in the Omaha MSA. If the Commission were to grant this forbearance petition, Qwest would similarly continue to make loops and transport available on a commercial basis in the Minneapolis-St. Paul MSA.

The Minneapolis-St. Paul MSA is one of the most competitive areas within Qwest's 14-state region. Many carriers now actively compete in that market. In each of Qwest's 58 wire centers in the Minneapolis-St. Paul MSA,⁷ customers now have the choice of at least one, and often many more, alternatives to Qwest's retail telecommunications services. This collection of competitors ranges from cable-based service providers, to traditional wireline CLECs, to wireless (narrowband and broadband) providers, to VoIP providers. As one would expect given this wide range of options, Qwest has experienced significant access line loss in the Minneapolis-St. Paul MSA and greatly reduced market share.

A. Mass Market Consumers Have Access to a Wide Range of Competitive Alternatives

Mass market consumers throughout the Minneapolis-St. Paul MSA now have access to a wide range of competitive alternatives for affordable local telephone service. "In prior proceedings the Commission has defined mass market customers as residential and small business customers that purchase standardized offerings of communications services."⁸ Consistent with the Commission's earlier findings, Qwest faces competition from a variety of providers of retail mass market services. These competitors include cable service providers.

Brigham and Teitzel Declaration. Highly Confidential Exhibit 2 lists Qwest's Minneapolis-St. Paul MSA wire centers by name.

⁸ See *In the Matter of Petition of Qwest Communications International Inc. for Forbearance from Enforcement of the Commission's Dominant Carrier Rules As They Apply After Section 272 Sunsets*, Memorandum Opinion and Order, WC Docket No. 05-333, FCC 07-13, rel. Mar. 9, 2007 at n.56 ("*Sunset Order*").

wireline CLECs, wireless carriers, and “over-the-top” VoIP providers.’ Moreover, there are non-unbundled network element (“UNE”) wholesale alternatives available to CLECs, including wholesale services offered by other CLECs. As the Commission found in the *Sunset Order*, intermodal competition between wireline service and services provided on alternative service platforms, including VoIP and wireless, has been increasing and is likely to continue to increase.¹⁰ Comcast is the leading competitor in the Minneapolis-St. Paul MSA. Traditional CLECs, including carriers that obtain wholesale service from Qwest, provide additional competition. Moreover, any consumer with a broadband connection (*e.g.*, cable modem, DSL, wireless) can obtain telephone service from literally dozens of “over-the-top” VoIP providers. Throughout the Minneapolis-St. Paul MSA, these competitors offer voice services that are competitive with Qwest’s service offerings and are comparably priced. As demonstrated below, in addition to being widely available, each of these competitive alternatives are also widely used by consumers in the Minneapolis-St. Paul MSA.

1. Cable

The most prevalent source of competition in the Minneapolis-St. Paul MSA is Comcast, which offers facilities-based VoIP in the Minneapolis-St. Paul MSA. Brigham and Teitzel Declaration ¶ 15. The Commission in its recent *AT&T/BellSouth Merger Order* found that “facilities-based VoIP services clearly fall within the relevant service market for local services. Facilities-based VoIP services have many similar characteristics to traditional wireline local service. There is also significant evidence indicating that mass market subscription to cable-

⁹ See *id.* ¶ 29.

¹⁰ See *id.* ¶ 20

based VoIP continues to increase nationwide as cable operators continue to roll out these services throughout their footprints.""

In the *Omaha Forbearance Order*, the Commission held that Cox's voice services "compete as substitutes for Qwest's wireline telecommunications service offerings."¹² The same is true of Comcast's services in Minneapolis-St. Paul, where as of December 2006, Comcast was serving a geographic area encompassing Qwest wire centers that account for over [REDACTED] of the Qwest retail residential lines in that MSA. Brigham and Teitzel Declaration ¶ 14 and Exhibit 1, Page 1.

Like all of Qwest's competitors, Comcast is not obligated to report customer in-service data at the MSA level. Comcast and other CLECs are required to report statewide circuit-switched lines to the Commission on an annual basis. However, this data is not reported by MSA, and Comcast and other CLECs are not required to report VoIP-based lines at all. However, with 1.2 million homes passed by Comcast in the Minneapolis-St. Paul MSA, if Comcast achieves its goal of a 20% CDV penetration level by 2009, this would equate to over 200,000 Comcast Digital Voice ("CDV") customers. Brigham and Teitzel Declaration ¶ 15. No matter how many CDV customers Comcast has now, it is clear that its customer base is rapidly increasing today, and Comcast expects this growth to continue over the next few years. At a national level, Comcast expects its telephone subscriber base to grow by over 200% between 2007 and 2009 (from 2.5 million to 8 million). *Id.* ¶ 16. Comcast is actively ramping up its

¹¹ *In the Matter of AT&T Inc. and BellSouth Corporation Application for Transfer of Control*, Memorandum Opinion and Order, WC Docket No. 06-74, FCC 06-189, rel. Mar. 26, 2007 ¶ 93 ("AT&T/BellSouth Merger Order").pet. for rev. withdrawn, Order, No. 07-1009 (D.C. Cir. Apr. 3, 2007).

¹² *Omaha Forbearance Order*, 20 FCC Rcd at 19447-765; see *id.* at 19432 ¶ 33.

infrastructure in the Minneapolis-St. Paul area by adding 200 new jobs in sales and customer service. *Id.* ¶ 19.

Comcast is competing aggressively based upon price. It offers VoIP-based CDV service, which includes unlimited local and long distance calling, including free calls to Canada, and 12 standard calling features. *Id.* ¶ 17. This service is priced at \$39.95 per month for residential customers already subscribing to cable and high speed Internet service.¹³ *Id.* New customers can purchase a bundle of cable, high speed Internet and CDV for \$99.00 per month for 12 months, and Comcast has offered some Minneapolis-St. Paul MSA customers a limited time promotional CDV rate of \$29.99 per month for four months. *Id.* In view of the continuing rate of decline in Qwest's retail residential access line base in the Minneapolis-St. Paul MSA, customers appear to be responding favorably to Comcast's telephone service offerings.

Understanding that customers prefer one-stop shopping for communications services, Comcast is involved in a joint venture with Sprint Nextel Corporation ("Sprint Nextel") to provide integrated mobile phone service to its cable customers. *Id.* ¶ 20. This arrangement will enable Comcast to offer the "quadruple play" bundle of video, broadband Internet access, digital telephone and wireless service. *Id.* Comcast expects to use mobility as a means of adding value to its customer base, using wireless to tie its services together. *Id.* Comcast plans to allow customers to access e-mail, cable TV guide and home voice mail from their cell phones. *Id.* Moreover, Comcast will allow consumers to access video content, and eventually program DVRs, remotely from their cell phone handsets. *Id.* Industry analysts expect incumbent local

¹³ Residential customers taking only one of those services must pay \$44.95 a month. If the customer wishes to subscribe only to CDV service, the rate is \$54.95 (absent promotional rates, which Comcast regularly offers). *Id.* ¶ 19.

exchange carrier (“ILEC”) access line losses to cable telephone providers to continue in light of cable’s multi-service bundles. *Id.* ¶ 21.

While Comcast is the dominant cable provider, Mediacom, Charter, and U S Cable each serve some customers in the Minneapolis-St. Paul **MSA**. Mediacom and Charter provide VoIP-based phone service, and U S Cable offers a broadband connection that would allow customers to purchase phone service from independent over-the-top VoIP providers.¹⁴ *Id.* ¶ 22.

In sum, Comcast has extensive facilities in the Minneapolis-St. Paul MSA capable of delivering mass market services. *See Omaha Forbearance Order*” (finding that such facilities demonstrate that supply elasticity is high). Comcast has been “successfully providing local exchange and exchange access services . . . without relying on Qwest’s loops or transport.”¹⁵ Thus, as the Commission held in the *Omaha Forbearance Order*, this competition is, standing alone, “sufficient to justify forbearance” from loop and transport unbundling regulations,¹⁷ and from dominant carrier regulation of switched access service.¹⁸ Comcast’s extensive facilities build-out in the Minneapolis St. Paul MSA, and growing success in luring Qwest’s mass market customers, indicates that the first factor is easily satisfied for switched access services.¹⁹

2. Wireline CLECs

In addition to Comcast and the other cable providers, over [REDACTED] unaffiliated CLECs are currently competing with Qwest within the Minneapolis-St. Paul MSA. Brigham and Teitzel

¹⁴ Customers of Comcast Broadband Internet service also have the option of subscribing to “over-the-top” VoIP telephone service from various providers in addition to the choice of subscribing to Comcast’s CDV service.

¹⁵ *Tee Omaha Forbearance Order*. 20 FCC Rcd at 19448 766; see *id.* at 19432-33 ¶¶ 35-36.

¹⁶ *Id.* at 19447 ¶ 64.

¹⁷ *Id.* at 19450-51 ¶ 69.

¹⁸ *Id.* at 19432-33 ¶ 36.

¹⁹ *Id.*

Declaration ¶ 23. Of this number, [REDACTED] CLECs are using non-Qwest network facilities to provide service, [REDACTED] are using the Qwest Platform Plus (“QPP”)²⁰ finished wholesale service and [REDACTED] are reselling Qwest retail services.” *Id.* CLECs are utilizing Qwest wholesale services to compete with Qwest in every Qwest wire center in the Minneapolis-St. Paul MSA. *Id.* und Highly Confidential Exhibit 2.” Qwest estimates that CLECs competing through QPP/QLSP and Resale are providing approximately [REDACTED] residence lines. *Id.* This does not take into account any CLECs competing via Special Access services, or those serving customers via CLEC-owned switches and loops.

To the extent CLECs are utilizing their own networks to serve residential customers in the Minneapolis-St. Paul MSA, Qwest has no means to obtain precise in-service access line counts for these CLECs. However, Qwest does track the number of white pages listings, by rate

²⁰ Qwest recently replaced QPP with a new product, the Qwest Local Service Platform (“QLSP”). During the time periods for which data is presented in this petition, QPP was the relevant product and no QLSP quantities were yet present. With the exception of Omaha, where Qwest is no longer required to provide unbundled loops at TELRIC rates, QPP/QLSP relies upon an unbundled loop. In Omaha, Qwest includes terms and conditions for unbundled loops in the QPP/QLSP agreement, and has not to date raised its unbundled loop prices when purchased as part of QPP/QLSP. Even though QPP/QLSP includes unbundled loops, QPP/QLSP will remain available to CLECs should the Commission grant forbearance.

²¹ Qwest wholesale tracking systems, December 2006. Some of the CLECs are serving end users via more than one platform (*e.g.*, a CLEC may use both resale and QPP/QLSP to serve its customers). Therefore, one cannot add the number of CLECs using each platform in order to determine the total number of CLECs.

²² Highly Confidential Exhibit 2 shows the distribution of Qwest wholesale services, including UNEs, purchased by CLECs as of December 2006 in each Qwest wire center, segmented by residential and business line categories. Since Qwest has no means of determining the type of retail service for which CLECs are utilizing stand-alone UNE-L and enhanced extended loop (“EEL”) services, these wholesale services are attributed to the “business” category in this summary. It is important to note that the information shown in Highly Confidential Exhibit 2 *excludes* any data associated with access lines served via: (1) CLEC-owned network facilities; (2) Special Access service purchased from Qwest; or (3) network facilities leased from non-Qwest providers. It therefore represents only a subset of CLEC lines in service in the Minneapolis-St. Paul MSA. Brigham and Teitzel Declaration ¶ 24.

center. of CLECs that are “facilities-based” (those utilizing CLEC-owned switches and loops and/or CLEC-owned switches and unbundled loops or Special Access services purchased from Qwest). and Qwest can thereby estimate the number of lines served by such CLECs, based on Qwest’s internal data showing that about 75% of Qwest’s residential lines are listed in the white pages directories. Brigham and Teitzel Declaration n.63. Based upon white pages listings data as of January 2007. and presuming facilities-based CLECs’ customers choose to list their telephone numbers in the white pages directory in the same proportions as Qwest’s customers, there were approximately [REDACTED] residential lines associated with facilities-based CLECs in the rate centers in the Minneapolis-St. Paul MSA. *Id.* ¶ 25.

3. Wireless

Wireless use in Minnesota is extensive. According to the Commission’s most recent data, there were 3.542 million wireless subscribers in Minnesota as of the end of June 2006. Brigham and Teitzel Declaration ¶ 39. By comparison, as of the same date, ILECs and CLECs jointly reported servicing approximately 2.273 million wireline access lines. *Id.* Thus, wireless subscribers in Minnesota exceed the combined total of ILEC and CLEC wireline access lines in the state by a wide margin. *Id.* Moreover, from June 2000 to June 2006, the number of Minnesota wireless subscribers grew exponentially (by approximately 122 percent), while the number of wireline access lines has declined. *Id.* Qwest also faces competition in the Minneapolis-St. Paul MSA from multiple wireless providers. Mass market customers are increasingly using wireless services in place of traditional wireline telephone services.²³

As demonstrated in the map attached as Exhibit 5, p.7. to the Brigham and Teitzel Declaration. various major carriers such as Sprint PCS, T-Mobile, Verizon, and AT&T (formerly

²³ See generally *Sunset Order* ¶ 17 and n.61.

known as Cingular) all offer telephone services in the Minneapolis-St. Paul MSA. Competitive wireless service from at least one of these carriers is available virtually everywhere in the Minneapolis-St. Paul MSA. *See* Brigham and Teitzel Declaration ¶ 42 and Exhibit 5, p.7. In addition, other smaller wireless carriers, such as Alltel, also serve the Minneapolis-St. Paul MSA. *See id.* at ¶ 42 and n. 121. Each of these carriers offers packages of services that are comparable to and competitive with Qwest's wireline service offerings.

It is important to note that a significant number of Minneapolis-St. Paul residents are now "cutting the cord."²⁴ In fact, a recent survey shows that residents of the Minneapolis-St. Paul MSA are "cutting the cord" more readily than in most other parts of the country with 15.2 percent of Minneapolis-St. Paul area respondents reporting that they are relying upon wireless services for all of their communication needs. Brigham and Teitzel Declaration ¶ 41. That translates to over 148,000 Minneapolis-St. Paul area households that use wireless services instead of wireline. *Id.* This total excludes customers who have elected to remove an additional line in favor of wireless service or who have shifted a significant amount of usage from their landline to their wireless telephones. *Id.* In contrast to Minneapolis-St. Paul's 15.2 percent rate for cord-cutting reported in the study referenced above -- representing the second highest rate out of 20 metropolitan areas -- the reported national average proportion of households with only wireless phones was 9.6% in June 2006.²⁵ *Id.* ¶ 40.

In many instances, even if they do not "cut the cord" subscribers will remove a second landline in favor of wireless service and/or shift a significant amount of telephone usage to

²⁴ Customers that have "cut the cord" have disconnected wireline telephone service and rely exclusively on wireless service for their voice telecommunications needs. Brigham and Teitzel Declaration ¶ 40.

²⁵ <http://www.cdc.gov/nchs/products/pubs/pubd/hestats/wireless2006/wireless2006.htm>. *See* Brigham and Teitzel Declaration, Exhibit 5, p.1.

wireless service. In each of these instances, demand for Qwest wireline telephone service is reduced, even though the customers have not disconnected their wireline telephone service entirely. The Commission states:

Even when not “cutting the cord” completely, consumers appear increasingly to choose wireless service over traditional wireline service, particularly for certain uses. For example, according to one analyst, customers in nearly a third of American households make at least half their long distance calls at home from their cell phones rather than from their landlines. In the early 2006 survey of cell phone users described above, an additional 42 percent of cell phone users said that they also had a landline phone, but that they used their cell phones “most.”²⁶

Wireless service subscribers are undeniably using wireless service as a direct substitute for traditional wireline telephone services. In this context, it is not surprising that the Yankee Group reports that “more than 51% of local calls and 68% of long distance calls have been replaced by wireless.” Brigham and Teitzel Declaration ¶ 41.

The Commission’s analysis of the extent of competition between wireless and wireline services conducted in connection with the AT&T/BellSouth merger supports including wireless services in the forbearance analysis. In the *AT&T/BellSouth Merger Order*, the Commission recognized that “growing numbers of subscribers in particular segments of the mass market are choosing mobile wireless service instead of wireline local services”; that “approximately 6 percent of households have chosen to rely upon mobile wireless services for all of their communications needs”; that certain wireless carriers such as Sprint Nextel “would likely take actions that would increase intermodal competition between wireline and mobile wireless services”; and that “intermodal competition between mobile wireless and wireline service will likely increase in the near term.” The Commission also recognized that “even if most segments

²⁶ Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services. Tenth Report. September 29, 2006, p.90 ¶ 206.

²⁷ *AT&T/BellSouth Merger Order* ¶ 96.

of the mass market are unlikely to rely upon mobile wireless services instead of wireline local services today,” in order for wireless service to constrain prices for wireline service the analysis “only requires that there be evidence of sufficient substitution for significant segments of the mass market.”²⁸ The Commission accordingly concluded that “mobile wireless services should be included within the product market for local services to the extent that customers rely on mobile wireless service as a complete substitute for . . . wireline service.”

Significantly, the Commission’s conclusions with respect to wireless were not confined or unique to any particular geographic market but instead applied generally to all relevant geographic markets. The Commission also recognized that it was not necessary to evaluate competition on a granular geographic basis and that a state-level analysis was reasonable.³⁰ Although the Commission reached these conclusions in the context of analyzing a merger, the purpose of that analysis -- determining the extent of mass market competition -- is identical to the one here, and the Commission’s conclusions should therefore hold the same weight here as they did in that context.

Evidence shows that, particularly in the Minneapolis-St. Paul MSA, wireless service is another form of facilities-based competition. Wireless both taken alone, and particularly in combination with other forms of facilities-based competition, is sufficient to ensure that market forces will protect the interests of consumers. Data indicate that customers would have a viable alternative should Qwest attempt to raise its wireline prices. Moreover, Qwest’s extremely limited presence as a wireless service provider strongly suggests that if the price of wireline

²⁸ *Id.*

²⁹ *Id.*

³⁰ *See id.* ¶ 104.

service went up. few of Qwest's customers would switch to a Qwest wireless service." Wireless competition accordingly protects against wireline price increases in the first instance.

4. Over-the-Top VoIP Providers

Industry experts forecast exponential VoIP growth through at least 2010. For example, Frost and Sullivan found that VoIP market revenue totaled \$295.1 million in 2004 and expect it to reach \$4,076.7 million in 2010. **a growth rate of over 1,200%.**³² Additionally, the Yankee Group reported that roughly 44% of all U.S. households now subscribe to broadband Internet access. This percentage is expected to reach 58% by 2010. Brigham and Teitzel Declaration ¶ 52.

Since VoIP calls do not rely on Qwest's switched network (and calls transported via non-Qwest broadband facilities do not rely on Qwest's local loop network), the rapid customer adoption of VoIP represents an additional form of competition that bypasses Qwest. These competitive networks are not limited to competitive wireline broadband services, but also include cable and wireless services. According to the Commission, broadband access lines in Minnesota have grown from 62,983 in June 2000 to 1,057,576 in June 2006 -- an increase of almost 1,600%.³³ In fact, in the first six months of 2006 alone, broadband access lines in Minnesota increased by almost 24%.³⁴ **As** of June 2006, approximately 49% of the broadband access lines in Minnesota were served by cable modem." The Commission found that "more

³¹ See *Sunset Order* ¶ 34. Qwest Wireless has a [REDACTED] share of the consumer wireless market in the Minneapolis-St. Paul MSA. Brigham and Teitzel Declaration n.18.

³² Real World Network, *Trend and Forecasts, North American Residential VoIP Market to Increase Growth*, July 19, 2005. See Brigham and Teitzel Declaration, Exhibit 6, p.30.

³³ *High Speed Services for Internet Access: Status as of June 30, 2006*, Industry Analysis and Technology Division, Wireline Competition Bureau, January 2007, Table 10.

³⁴ *Id.*

³⁵ *Id.* at Table 9.

than 99% of the country's population lives in the 99% of zip codes where a provider reports having at least one high-speed service subscriber,"" and that all but two percent of the zip codes in Minnesota have at least one broadband service provider available as of June 2006.³⁷

Competitive broadband services are now widely available from multiple providers in the Minneapolis-St. Paul MSA, and have been embraced by a rapidly increasing number of customers. Each broadband customer represents a potential VoIP subscriber. *See* Brigham and Teitzel Declaration 747.

The non-Qwest broadband facilities capable of carrying VoIP calls include wireless broadband ("WiFi") service, which is being actively deployed in many communities within Qwest's service territory in the Minneapolis-St. Paul MSA. WiFi is available in over 100 public locations within the Minneapolis-St. Paul MSA. *See* *id.* ¶ 43 and Exhibit 5, p.8. Consumers can utilize the WiFi connection in any WiFi "hotspot" to access the Internet and use VoIP services to make and receive telephone calls without reliance on Qwest's local network. *Id.*

The Commission has previously acknowledged that some portion of mass market consumers view certain over-the-top VoIP services as substitutes for wireline local service." Currently there are at least 60 VoIP providers (excluding Qwest) serving the Minneapolis-St. Paul MSA including Vonage, Packets, SunRocket and others. Many of these providers (including Vonage and Packets) offer service options for both residential and business markets. Brigham and Teitzel Declaration ¶ 48. Other providers, such as SunRocket, focus primarily on the residential market. *Id.* Since VoIP calls do not rely on Qwest's switched network (and calls transported via non-Qwest broadband facilities do not rely on Qwest's local loop network), the

³⁶ *Id.* at 4.

³⁷ *Id.* at Table 17.

³⁸ *AT&T/BellSouth Merger Order* ¶ 94

rapid customer adoption of VoIP represents an additional form of competition that bypasses Qwest. Thus, VoIP should be included in the forbearance analysis because it too constrains Qwest's ability to raise its prices or otherwise harm consumers.

5. Qwest Wholesale Alternatives

In the *Omaha Forbearance Order*, the Commission also relied in part on competitors' ability to use the ILEC's wholesale offerings pursuant to "provisions of the Act designed to develop and preserve competitive local markets."⁹ The Commission recognized that where there are "very high levels of retail competition that do not rely on the Qwest facilities -- and for which Qwest receives little to no revenue" Qwest has "the incentive to make attractive wholesale offerings available so that it will derive more revenue indirectly from retail customers who choose a retail provider other than Qwest."¹⁰

As demonstrated above, there is extensive facilities-based retail competition in the Minneapolis-St. Paul MSA. Qwest has in fact made attractive wholesale offerings available even when it has no obligation to do so. Following the Commission's decision to eliminate the UNE platform, Qwest began offering its QPP/QLSP service, which provides the same features and functionality as the UNE platform, but at negotiated market rates. As of December 2006, competitors in the Minneapolis-St. Paul MSA were serving approximately [REDACTED] voice grade equivalent ("VGE") residential lines using this wholesale product. Brigham and Teitzel Declaration Highly Confidential Exhibit 2. As of that same date, competitors were reselling approximately [REDACTED] VGE residential lines in the Minneapolis-St. Paul MSA pursuant to the resale provisions of Section 251(c)(4). *Id.*

⁹ *Omaha Forbearance Order*, 20 FCC Rcd at 19447 ¶ 64; see *id.* at 19433 ¶ 37.

¹⁰ *Id.* at 19448-49 ¶ 67.